

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05  
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 /081 W  
-----127007 291632Z /47

R 291450Z JUN 77  
FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1575  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM  
AMCONSUL GOETBORG

C O N F I D E N T I A L SECTION 1 OF 2 HELSINKI 1352

EO 11652: GDS  
TAGS: PINT, FI  
SUBJECT: GOVERNMENT'S NEW ECONOMIC PROGRAM: MAJORITY COMMUNISTS  
GIVE LUKEWARM SUPPORT, WHILE COMMUNIST MINORITY FACTION SHARPLY  
OPPOSES

REF: (A) HELSINKI 1317, (B) HELSINKI 1250, (C) HELSINKI 1118

1. SUMMARY. THE INITIAL REACTION OF THE TWO FACTIONS OF  
FINNISH COMMUNIST PARTY (SKP) TO GOVERNMENT'S NEW  
ECONOMIC PROGRAM HAS BEEN ONE OF SUPPORT BY MAJORITY FACTION  
AND SHARP CRITICISM BY MINORITY FACTION. REACTION PROVIDES  
INITIAL INDICATION THAT SKP MAJORITY IS DETERMINED AT LEAST  
FOR TIME BEING TO STAY IN GOVERNMENT AND COMPROMISE WITH  
GOVERNMENT PARTNERS, DESPITE OPPOSITION OF MINORITY FACTION.  
END SUMMARY.

2. BEGIN UNCLASSIFIED. SORSA GOVERNMENT'S NEW ECONOMIC  
PROGRAM WAS OFFICIALLY ANNOUNCED JUNE 23. BASICALLY ALONG  
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THE LINES ANTICIPATED REFTEL A, NEW PROGRAM IS  
ESSENTIALLY A COLLECTION OF MEASURES AND POLICY GOALS  
DIRECTED TOWARD REDUCING INFLATION AND IMPROVING  
INTERNATIONAL COMPETITIVENESS OF FINNISH INDUSTRY WHILE  
AT SAME TIME AIMING TOWARD GRADUAL REDUCTION OF UNEMPLOY-  
MENT. PROGRAM PROVIDES SOME TAX RELIEF TO FINNISH  
INDUSTRIES AS WELL AS SOME ASSISTANCE TO UNEMPLOYED

AND LOW INCOME FAMILIES. ANALYSIS OF NEW ECONOMIC PROGRAM WILL FOLLOW BY AIRGRAM.

3. MOST REPRESENTATIVES OF FINNISH INDUSTRY AND FINANCIAL INSTITUTIONS PRAISED NEW PROGRAM FOR ITS SOUNDNESS AND MODERATION. HOWEVER, CONSERVATIVE PARTY CRITICIZED IT FOR NOT GOING FAR ENOUGH IN PROMOTING FINNISH PRODUCTIVITY AND PROVIDING RELIEF TO INDUSTRY.

4. NEW PROGRAM RECEIVED THE SOMEWHAT GRUDGING SUPPORT OF COMMUNIST MINISTERS OF CABINET, WHO REPRESENT MODERATE MAJORITY WING OF SKP WHICH UNEXPECTEDLY BECAME PART OF SORSA GOVERNMENT THAT WAS FORMED LAST MONTH. MINLAB ARVO AALTO (SKP) STATED IN SKP MAJORITY PAPER KANSAN UUTISET (KU) JUNE 24 THAT GOVERNMENT PROGRAM TAKES AS ITS CENTRAL TASK THE IMPROVEMENT OF EMPLOYMENT SITUATION, AND SAID MEDIUM-TERM OBJECTIVES APPROVED BY GOVERNMENT GO IN RIGHT DIRECTION IN SEEKING AN ESSENTIAL IMPROVEMENT OF EMPLOYMENT SITUATION, DECISIVE SLOWING DOWN OF THE SPEED OF INFLATION, DISCONTINUATION OF GROWTH OF BURDEN OF TAXATION AND DIMINISHING OF FOREIGN DEBTS. HE SAID GOVERNMENT MEASURES DO NOT CORRESPOND IN ALL PARTS TO DEMANDS PRESENTED BY THE SKP ABOUT A CHANGE OF ECONOMIC POLICY IN FAVOR OF INTERESTS OF THE PEOPLE. HE SAID DECISIONS REFLECT POLITICAL  
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STRUCTURE OF SOCIETY WHICH FAVORS THE BOURGEOISIE AND THAT ALL HAS BEEN DONE WITH THE POWER OF LEFT AND CENTER THAT IS IMMEDIATELY POSSIBLE TO STOP NEGATIVE DEVELOPMENTS (UNDER THE PREVIOUS GOVERNMENT) AND TO BRING ABOUT A TURN FOR THE BETTER.

5. EDITORIALY, KANSAN UUTISET TOOK SAME LINE, I.E., PROGRAM IS RIGHT IN ITS BASIC DIRECTION, PARTICULARLY IN SETTING AS ITS CENTRAL TASK THE REDUCTION OF UNEMPLOYMENT. PAPER STATES THAT REDUCTION OF UNEMPLOYMENT TO 2.5 PERCENT AS PROPOSED IN PLAN IS GREAT CHALLENGE, WHEN COMPARED TO SIX PERCENT UNEMPLOYMENT OF LAST SPRING. EDITORIAL GOES ON TO CRITICIZE SOME OTHER ASPECTS OF PROGRAM, PARTICULARLY PROPOSALS DESIGNED TO HELP WHAT KU REFERS TO AS LARGE AND PROFITABLE INDUSTRIAL ENTERPRISES. SIGNIFICANTLY, KU ENTITLED EDITORIAL "THE FIRST MEASURES" AND CONCLUDED THAT "COMPROMISE SETTLEMENT" IS ONLY ONE POSSIBLE GIVEN PREVAILING DIVISION OF POLITICAL POWER.

6. MINORITY, SO-CALLED STALINIST WING OF SKP HAS SHARPLY ATTACKED GOVERNMENT ECONOMIC PROGRAM. TAISTO

SINISALO, LEADER OF THE MINORITY FACTION, SAID COMMUNISTS CANNOT SUPPORT THE GOVERNMENT'S POLICY WITHOUT VIOLATING RECENT DECISIONS OF THE PARTY AND OF ITS PARLIAMENTARY GROUP. IN A SPEECH IN KOTKA ON JUNE 27, SINISALO SAID SELDOM HAS THERE BEEN PRESENTED TO THE FINNISH PEOPLE AN ECONOMIC POLICY PROGRAM WHICH IS SO GLOOMY AND FAVORABLE TO BIG CAPITAL AS THE NEW PROGRAM. HE CHARGED GOVERNMENT IS CONTINUING--EVEN INTENSIFYING--THE WRONG ECONOMIC POLICY OF THE PAST FEW YEARS. HE SAID ALTERNATIVE OF INCREASING THE PURCHASING POWER OF THE PEOPLE HAS BEEN REJECTED AND PROGRAM OF THE CONFEDERATION OF INDUSTRIES OF IMPROVING COMPETITIVENESS HAS BEEN MADE GOVERNMENT POLICY; SINISALO SAID GOVERNMENT MEASURES MEAN MORE UNEMPLOY-  
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7. MINORITY TAISTOIST FACTION NEWSPAPER TIEDONANTAJA REPORTED THAT POLITICAL COMMITTEE OF SKP HAD DEALT WITH THE GOVERNMENT PROGRAM AT ITS MEETING

JUNE 22, AND SINISALO (AND AT LEAST ONE OTHER) HAD ARGUED AND VOTED AGAINST SKP ACCEPTANCE OF GOVERNMENT PROGRAM, BUT HIS POSITION HAD BEEN DEFEATED. TIEDONANTAJA IN ITS EDITORIAL JUNE 28 REJECTED WHAT IT CALLED A BROAD-BASED GOVERNMENT CARRYING OUT THE TREND DIRECTED AGAINST THE INTERESTS OF THE WORKING PEOPLE. MAKING TAISTOIST POSITION UNMISTAKABLE, EDITORIAL STATED "THE WORKING PEOPLE CAN ACHIEVE PERMANENT IMPROVEMENT OF THEIR POSITION ONLY BY FIGHTING AGAINST THE EXPLOITATION AND POWER OF BIG CAPITAL IN ORDER TO RESTRICT IT AND TO INCREASE THEIR OWN INFLUENCE. THE WHOLE LABOR MOVEMENT MUST DISASSOCIATE ITSELF FROM THE ROLE OF FELLOW-TRAVELER OF STATE-MONOMPLISTIC CAPITALISM AND START TO SUPPORT THE WORKING PEOPLE'S ASPIRATIONS FOR A BETTER LIFE." END UNCLASSIFIED.

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8. BEGIN CONFIDENTIAL: COMMENT: GOVERNMENT'S NEW PROGRAM --WHICH INDEED IS NOTABLE FOR MODERATION AND CONVENTIONALITY OF ITS MEANS AND OBJECTIVES-- REPRESENTS FIRST TEST OF ABILITY AND WILLINGNESS OF MODERATE MAJORITY SKP FACTION TO COOPERATE WITH PARTNERS IN COALITION GOVERNMENT AND TO GO ALONG WITH PROGRAMS WHICH ARE UNDER ATTACK BY TAISTOIST MINORITY FACTION. THUS FAR, TAISTOISTS HAVE NOT ATTACKED SKP LEADERSHIP DIRECTLY, BUT RATHER ONLY BY IMPLICATION AND BY ASSOCIATION. NEVERTHELESS, INITIAL REACTIONS OF THE TWO DIFFERENT FACTIONS TO GOVERNMENT ECONOMIC PROGRAM TENDS TO SUPPORT ARGUMENT (REF C, PARA 7) THAT DECISION OF SKP MAJORITY TO ENTER SORSA GOVERNMENT REPRESENTED AN INDEPENDENT DECISION REACHED WITHOUT REGARD FOR, AND IN OPPOSITION TO, POSITIONS OF MINORITY FACTION. SKP MAJORITY DECISION TO SUPPORT MODERATE GOVERNMENT ECONOMIC PROGRAM, ALBEIT WITH SOME RELUCTANCE, PROVIDES INDICATION--STILL FAR FROM CONCLUSIVE--THAT AT LEAST FOR TIME BEING SKP MAJORITY IS DETERMINED TO STAY IN COALITION GOVERNMENT AND TO COMPROMISE WITH ITS COALITION PARTNERS DESPITE ATTACKS OF TAISTOIST FACTION AND REGARDLESS OF POSSIBLE BROADENING OF SCHISM WITHIN PARTY. THIS ATTITUDE THUS FAR ON PART OF MAJORITY FACTION IS IN SHARP CONTRAST TO EXPERIENCE OF MIETTUNEN 5 PARTY COALITION GOVERNMENT WHICH ENDED IN FAILURE IN SEPTEMBER 1976. IT IS GENERALLY CONSIDERED THAT INTRANSIGENCE OF COMMUNIST MAJORITY FACTION REPRESENTATIVES IN THAT GOVERNMENT WAS A MAJOR FACTOR IN THE GOVERNMENT'S FAILURE, AND THAT THE INTRANSIGENCE RESULTED FROM MAJORITY FACTION'S SENSITIVITY TO ATTACKS FROM TAISTOIST MINORITY. END COMMENT. END CONFIDENTIAL.

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## Message Attributes

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